



Umjindi Local Municipality
Annual Financial Statements
for the year ended 30 June, 2014

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

General Information

Members of Council

L.V. Mashaba (Executive Mayor)
P.V. Mkhathshwa (Speaker)
N.E. Mkhabela (Member of Mayoral Committee)
M.J. Hlophe (Member of Mayoral Committee)
M.E. Nsimbini (Member of Mayoral Committee)

Members:

A.M. Simelane
H.L. Shongwe
P.L. Sambo
A.S Mthunywa
M.C Nkosi
S.I. Gama
P.C.W. Minnaar
M.E. Jacobs
T.R. Manyisa
S. Mabuza
P.M. Mnisi
B.N. Mathebula
D.T. Chibi

Grading of local authority

03
Medium Capacity

Municipal demarcation code

MP323

Accounting Officer

D.P. Msibi

Chief Finance Officer

T.P. Mpele

Business address

Cnr Generaal and De Villiers Street
Barberton
Mpumalanga
1300

Postal address

P.O. Box 33
Barberton
Mpumalanga
1300

Bankers

First National Bank LTD

Auditor

Auditor General SA

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

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Acronyms

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
RUL	Remaining Useful Life
PPE	Property, Plant and Equipment

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the year ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements set out on pages 4 to 73, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August, 2014 and were signed by him:

D.P. Msibi
Accounting Officer

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Statement of Financial Position as at 30 June, 2014

Figures in Rand	Note(s)	2014	2013 as restated
Assets			
Current Assets			
Inventories	11	2,350,775	2,373,348
Other receivables from non-exchange transactions	12	7,357,596	4,092,138
VAT receivable	21	2,001,927	-
Consumer debtors	13	26,466,954	25,852,350
Cash and cash equivalents	14	7,381,813	6,827,506
		45,559,065	39,145,342
Non-Current Assets			
Investment property	4	72,067,200	75,492,100
Property, plant and equipment	5	769,354,231	732,417,346
Intangible assets	6	138,607	217,192
Heritage assets	7	529,508	529,508
Investments in controlled entities	8	100	100
		842,089,646	808,656,246
Total Assets		887,648,711	847,801,588
Liabilities			
Current Liabilities			
Other financial liabilities	15	931,830	829,291
Finance lease obligation	16	-	47,861
Trade and other Payables from exchange transactions	19	54,929,123	35,868,260
VAT payable	20	-	3,214,096
Consumer deposits	22	2,660,371	2,564,854
Unspent conditional grants	17	-	5,202,701
Provisions	18	1,636,848	735,593
		60,158,172	48,462,656
Non-Current Liabilities			
Other financial liabilities	15	2,268,814	3,200,645
Employee benefit obligation	9	17,171,000	15,531,000
Provisions	18	13,033,493	12,739,320
		32,473,307	31,470,965
Total Liabilities		92,631,479	79,933,621
Net Assets		795,017,232	767,867,967
Accumulated surplus		795,017,232	767,867,967

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Statement of Financial Performance for the year ended 30 June, 2014

Figures in Rand	Note(s)	2014	2013 as restated
Revenue			
Service charges	25	104,212,800	99,946,952
Rental of facilities and equipment		535,811	698,109
Interest received - outstanding debtors		4,648,416	4,682,153
Licences and permits		2,728,658	2,643,902
Other income	27	5,620,076	6,498,269
Interest received - external investment	31	509,136	560,779
Property rates	24	22,306,340	20,574,442
Government grants & subsidies	26	120,114,546	80,296,106
Public contributions and donations		2,734,625	18,456
Traffic fines		732,750	238,595
Total revenue		264,143,158	216,157,763
Expenditure			
Employee related costs	29	(71,511,066)	(63,741,309)
Remuneration of councillors	30	(5,574,553)	(4,910,364)
Depreciation and amortisation	33	(25,778,210)	(25,433,589)
Impairment of assets	34	-	(1,688,194)
Finance costs	35	(1,128,853)	(763,334)
Allowance for impairment of debtors		(12,928,483)	(14,907,973)
Repairs and maintenance		(1,891,474)	(2,890,575)
Material and bulk purchases	36	(62,856,670)	(57,169,147)
General expenses	28	(52,125,866)	(52,485,232)
Total expenditure		(233,795,175)	(223,989,717)
Operating surplus (deficit)		30,347,983	(7,831,954)
Gain (loss) on disposal of assets		226,180	(27,894,959)
Fair value adjustments	32	(3,424,900)	(29,837,900)
		(3,198,720)	(57,732,859)
Surplus (deficit) for the year		27,149,263	(65,564,813)

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Statement of Changes in Net Assets for the year ended 30 June, 2014

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	782,565,591	782,565,591
Prior period error adjustments (note 41)	50,867,189	50,867,189
Balance at 01 July, 2012 as restated*	833,432,780	833,432,780
Changes in net assets		
Deficit for the year	(65,564,813)	(65,564,813)
Total recognised income and expenses for the year	(65,564,813)	(65,564,813)
Balance at 01 July 2013	767,867,969	767,867,969
Changes in net assets		
Total recognised income and expenses for the year	27,149,263	27,149,263
Total changes	27,149,263	27,149,263
Balance at 30 June, 2014	795,017,232	795,017,232

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Cash Flow Statement for the year ended 30 June, 2014

Figures in Rand	Note(s)	2014	2013 as restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		126,710,911	142,450,934
Government grants & subsidies		114,911,845	80,296,106
Interest received - external investment		509,136	560,779
		<u>242,131,892</u>	<u>223,307,819</u>
Payments			
Employee costs		(77,085,619)	(68,651,672)
Suppliers		(100,075,630)	(114,397,498)
Finance costs		(1,126,194)	(742,164)
		<u>(178,287,443)</u>	<u>(183,791,334)</u>
Net cash flows from operating activities	37	<u>63,844,449</u>	<u>39,516,485</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(62,852,277)	(41,838,136)
Proceeds from sale of property, plant and equipment	5	443,903	-
Purchase of other intangible assets	6	(1,955)	(200,898)
Net cash flows from investing activities		<u>(62,410,329)</u>	<u>(42,039,034)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(829,292)	(893,317)
Finance lease payments		(50,520)	(276,049)
Net cash flows from financing activities		<u>(879,812)</u>	<u>(1,169,366)</u>
Net increase/(decrease) in cash and cash equivalents		554,308	(3,691,915)
Cash and cash equivalents at the beginning of the year		6,827,506	10,519,421
Cash and cash equivalents at the end of the year	14	<u>7,381,814</u>	<u>6,827,506</u>

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Statement of Comparison of Budget and Actual Amounts for the year ended

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	122,821,856	2,416,537	125,238,393	104,212,800	(21,025,593)	52.1
Rental of facilities and equipment	1,449,167	(153,008)	1,296,159	535,811	(760,348)	
Interest received- outstanding debtors	2,500,000	-	2,500,000	4,648,416	2,148,416	
Licences and permits	2,900,250	(239,302)	2,660,948	2,728,658	67,710	
Other income	12,711,106	(1,746,432)	10,964,674	5,620,076	(5,344,598)	Note 52.2
Interest received - external investment	500,000	(198,422)	301,578	509,136	207,558	
Total revenue from exchange transactions	142,882,379	79,373	142,961,752	118,254,897	(24,706,855)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	23,569,187	(5,859,786)	17,709,401	22,306,340	4,596,939	
Government grants & subsidies	114,806,000	-	114,806,000	120,114,546	5,308,546	

Transfer revenue

Public contributions and donations	-	-	-	2,734,625	2,734,625	
Fines	302,000	(70,375)	231,625	732,750	501,125	

Total revenue from non-exchange transactions	138,677,187	(5,930,161)	132,747,026	145,888,261	13,141,235	
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Total revenue	281,559,566	(5,850,788)	275,708,778	264,143,158	(11,565,620)	
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Expenditure

Employee costs	(73,748,978)	(4,348,492)	(78,097,470)	(71,511,066)	6,586,404	
Remuneration of councillors	(5,659,795)	(1,015,374)	(6,675,169)	(5,574,553)	1,100,616	
Depreciation and amortisation	(25,000,000)	-	(25,000,000)	(25,778,210)	(778,210)	Note 52.3
Finance costs	(547,100)	(206,534)	(753,634)	(1,128,853)	(375,219)	Note 52.4
Allowance for impairment of debtors	(15,599,170)	227,574	(15,371,596)	(12,928,483)	2,443,113	
Repairs and maintenance	(7,461,375)	2,230,278	(5,231,097)	(1,891,474)	3,339,623	
Material and Bulk purchases	(64,535,000)	2,000,000	(62,535,000)	(62,856,670)	(321,670)	Note 52.5
General Expenses	(125,264,350)	5,537,715	(119,726,635)	(52,125,866)	67,600,769	

Total expenditure	(317,815,768)	4,425,167	(313,390,601)	(233,795,175)	79,595,426	
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Operating surplus	(36,256,202)	(1,425,621)	(37,681,823)	30,347,983	68,029,806	
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Gain on disposal of assets	100,000	388,596	488,596	226,180	(262,416)	
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Fair value adjustments	-	-	-	(3,424,900)	(3,424,900)	
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	100,000	388,596	488,596	(3,198,720)	(3,687,316)	
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Surplus before taxation	(36,156,202)	(1,037,025)	(37,193,227)	27,149,263	64,342,490	
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Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Statement of Comparison of Budget and Actual Amounts for the year ended

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(36,156,202)	(1,037,025)	(37,193,227)	27,149,263	64,342,490	

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Appropriation Statement for the year ended 31 March, 2014

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	23,569,187	(5,859,786)	17,709,401	-		17,709,401	22,306,340		4,596,939	126 %	95 %
Service charges	122,821,856	2,416,537	125,238,393	-		125,238,393	104,212,800		(21,025,593)	83 %	85 %
Interest received - external investment	500,000	(198,422)	301,578	-		301,578	509,136		207,558	169 %	102 %
Government grants & subsidies	51,053,000	-	51,053,000	-		51,053,000	52,417,019		1,364,019	103 %	103 %
Other income	19,962,523	(1,820,521)	18,142,002	-		18,142,002	14,491,891		(3,650,111)	80 %	73 %
Total revenue (excluding capital transfers and contributions)	217,906,566	(5,462,192)	212,444,374	-		212,444,374	193,937,186		(18,507,188)	91 %	89 %
Employee costs	(73,748,978)	(4,348,492)	(78,097,470)	-	-	(78,097,470)	(71,511,066)	-	6,586,404	92 %	97 %
Remuneration of councillors	(5,659,795)	(1,015,374)	(6,675,169)	-	-	(6,675,169)	(5,574,553)	-	1,100,616	84 %	98 %
Debt impairment	(15,599,170)	227,574	(15,371,596)			(15,371,596)	(12,928,483)	-	2,443,113	84 %	83 %
Depreciation and asset impairment	(25,000,000)	-	(25,000,000)			(25,000,000)	(25,778,210)	-	(778,210)	103 %	103 %
Finance cost	(547,100)	(206,534)	(753,634)	-	-	(753,634)	(1,128,853)	-	(375,219)	150 %	206 %
Materials and bulk purchases	(64,535,000)	2,000,000	(62,535,000)	-	-	(62,535,000)	(62,856,670)	-	(321,670)	101 %	97 %
Other expenditure	(132,725,725)	8,880,541	(123,845,184)	-	-	(123,845,184)	(57,442,240)	-	66,402,944	46 %	43 %
Total expenditure	(317,815,768)	5,537,715	(312,278,053)	-	-	(312,278,053)	(237,220,075)	-	75,057,978	76 %	75 %
Surplus/(Deficit)	(99,909,202)	75,523	(99,833,679)	-		(99,833,679)	(43,282,889)		56,550,790	43 %	43 %

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	63,753,000	-	63,753,000	-		63,753,000	67,697,527		3,944,527	106 %	106 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	2,734,625		2,734,625	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	(36,156,202)	75,523	(36,080,679)	-		(36,080,679)	27,149,263		63,229,942	(75)%	(75)%
Surplus/(Deficit) for the year	(36,156,202)	75,523	(36,080,679)	-		(36,080,679)	27,149,263		63,229,942	(75)%	(75)%

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003) [MFMA].

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

The preparation of annual financial statements, management in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Impairment of financial assets

The municipality assesses its financial assets at amortised cost for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

In determining an allowance to write stock down to the lower of cost or net realisable value, management have made estimates on certain inventory items and the write down is included in operating expenditure.

Useful lives of property, plant and equipment and intangibles assets

As described in accounting policy 1.3 and 1.4, the municipality depreciates / amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets. Taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations will be performed on a regular basis on defined benefits contribution plans.

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for anywhere between 30% and 50% of the medical aid membership fee, and the municipality for the remaining 50% to 70%. The amount varies from person to person. The medical aid contributions are charged to the Statement of Financial Performance as they fall due. The additional cost effect of defined benefit retirement funds is immaterial and the costs thereof are charged to the Statement of Financial Performance as they fall due. The municipality's net obligation in respect of post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods whereby that benefit is discounted to determine its present value.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Accounting Policies

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value. Fair value is determined by using the last available general valuation roll.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises. If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the costs. The cost also includes the necessary costs of dismantling and removing the asset and restoring the asset on the site on which it is located.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets to the estimated residual value.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
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Accounting Policies

1.3 Property, plant and equipment (continued)

Land	Indefinite
Buildings	3 - 30
Motor vehicles	5 - 15
Office equipment	
• Computer hardware	3 - 7
• Office machines	3 - 7
• Air conditioner	3 - 7
Infrastructure	
• Road and paving	5 - 50
• Electricity	5 - 50
• Water	10 - 55
• Sewerage	30 - 60
Community	
• Buildings	5 - 30
• Recreational facilities	5 - 30
• Park and gardens	5 - 30
Other property, plant and equipment	5 - 15
Other equipment	5 - 15
Landfill site	10 - 55

The residual value, and the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate but if the change is due to the incorrect useful life being utilised, it is accounted for as a prior year error .

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Umjindi Local Municipality

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Accounting Policies

1.4 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	7 years

1.5 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are carried at cost less accumulated impairment losses.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.6 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

1.7 Financial instruments

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non - exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at cost / fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Other financial liabilities - long-term	Financial liability measured at amortised cost
Other financial liabilities - short-term	Financial liability measured at amortised cost

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Accounting Policies

1.7 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset / liability

Any contingent rents are expensed in the period in which they are incurred.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Umjindi Local Municipality

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Umjindi Local Municipality

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Impairment of non-cash-generating assets

Value in use

The recoverable service amount is determined as the higher of fair value less cost to sell or recoverable value. Value in use is determined by applying the depreciated replacement cost approach.

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

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Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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Accounting Policies

1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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Accounting Policies

1.12 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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Accounting Policies

1.13 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

1.14 Revenue from exchange transactions

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Accounting Policies

1.15 Revenue from non-exchange transactions

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Revenue from issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably. Fines consists of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivables. Assessment and recognising impairment is an event that takes subsequent to initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Accounting Policies

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.23 Budget information

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 01-Jul-13 to 30-Jun-14.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The effective date of the standard is for years beginning on or after 01 April, 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April, 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 7 (as revised 2012): Investments in Associates

Paragraph .17 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

Notes to the Annual Financial Statements for the year ended 30 June, 2014

3. New standards and interpretations (continued)

The impact of the amendment is not material.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Notes to the Annual Financial Statements for the year ended 30 June, 2014

3. New standards and interpretations (continued)

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IGRAP16: Intangible assets website costs

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annual reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements for the year ended 30 June, 2014

3. New standards and interpretations (continued)

IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

- (a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and
- (b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 01 April, 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the is not material.

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July, 2014 or later periods:

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

The effective date of the standard is for years beginning on or after 01 April, 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

The effective date of the standard is for years beginning on or after 01 April, 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

The effective date of the standard is for years beginning on or after 01 April, 2014.

Notes to the Annual Financial Statements for the year ended 30 June, 2014

3. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The effective date of the standard is for years beginning on or after 01 April, 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July, 2014 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

3. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand

4. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	72,067,200	-	72,067,200	75,492,100	-	75,492,100

Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Depreciation	Total
Land and buildings	75,492,100	-	-	-	(3,424,900)	-	72,067,200

Reconciliation of investment property - 2013

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Total
Land and buildings	153,695,050	-	(27,894,959)	(20,470,091)	(29,837,900)	75,492,100

Pledged as security

There were no investment property pledged as security for liabilities during the financial year 2013/2014

The fair value of investment property was based on the available general valuation roll.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand

5. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	108,261,505	-	108,261,505	108,261,505	-	108,261,505
Buildings	14,834,922	(6,112,383)	8,722,539	14,834,922	(5,591,281)	9,243,641
Infrastructure	885,462,504	(302,889,106)	582,573,398	855,674,792	(281,076,516)	574,598,276
Community property	33,886,324	(21,854,296)	12,032,028	31,240,942	(20,760,690)	10,480,252
Other property, plant and equipment	26,491,254	(21,653,897)	4,837,357	28,293,692	(21,425,257)	6,868,435
Capital working in progress	52,265,307	-	52,265,307	22,200,089	-	22,200,089
Landfill site	2,796,273	(2,134,176)	662,097	2,796,273	(2,031,125)	765,148
Total	1,123,998,089	(354,643,858)	769,354,231	1,063,302,215	(330,884,869)	732,417,346

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	108,261,505	-	-	-	-	108,261,505
Buildings	9,243,642	-	-	-	(521,103)	8,722,539
Infrastructure	574,598,276	11,954,009	-	17,833,702	(21,812,589)	582,573,398
Community property	10,480,252	1,532,139	-	1,113,243	(1,093,606)	12,032,028
Other property, plant and equipment	6,868,435	353,966	(217,723)	-	(2,167,321)	4,837,357
Capital working in progress	22,200,089	49,012,163	-	(18,946,945)	-	52,265,307
Landfill site	765,148	-	-	-	(103,051)	662,097
	732,417,347	62,852,277	(217,723)	-	(25,697,670)	769,354,231

Umjindi Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	87,791,414	-	-	20,470,091	-	-	108,261,505
Buildings	9,764,745	-	-	-	(521,104)	-	9,243,641
Infrastructure	564,935,567	20,653,740	-	11,944,448	(21,247,285)	(1,688,194)	574,598,276
Community property	11,518,948	-	-	-	(1,038,696)	-	10,480,252
Other property, plant and equipment	8,681,775	677,443	-	-	(2,490,783)	-	6,868,435
Capital work in progress	13,637,584	20,506,953	-	(11,944,448)	-	-	22,200,089
Landfill site	869,985	-	-	-	(104,837)	-	765,148
	697,200,018	41,838,136	-	20,470,091	(25,402,705)	(1,688,194)	732,417,346

Pledged as security

There were no assets pledged as security for liabilities during the financial year 2013/2014

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand 2014 2013

6. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	297,610	(159,003)	138,607	295,655	(78,463)	217,192

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	217,192	1,955	-	(80,540)	138,607

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	47,178	200,898	-	(30,884)	217,192

Pledged as security

There were no intangible assets pledged as security for liabilities during the financial year 2013/2014

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand 2014 2013

7. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	6,444	-	6,444	6,444	-	6,444
Historical monuments	373,064	-	373,064	373,064	-	373,064
Conservation areas	40,000	-	40,000	40,000	-	40,000
Historical buildings	60,000	-	60,000	60,000	-	60,000
Recreational parks	50,000	-	50,000	50,000	-	50,000
Total	529,508	-	529,508	529,508	-	529,508

Reconciliation of heritage assets 2014

	Opening balance	Additions	Disposals	Transfers	Total
Art Collections, antiquities and exhibits	6,444	-	-	-	6,444
Historical monuments	373,064	-	-	-	373,064
Conservation areas	40,000	-	-	-	40,000
Historical buildings	60,000	-	-	-	60,000
Recreational parks	50,000	-	-	-	50,000
	529,508	-	-	-	529,508

Reconciliation of heritage assets 2013

	Opening balance	Additions	Disposals	Transfers	Total
Art Collections, antiquities and exhibits	6,444	-	-	-	6,444
Historical monuments	373,064	-	-	-	373,064
Conservation areas	40,000	-	-	-	40,000
Historical buildings	60,000	-	-	-	60,000
Recreational parks	50,000	-	-	-	50,000
	529,508	-	-	-	529,508

Pledged as security

There were no heritage assets pledged as security for liabilities during the financial year 2013/2014.

8. Investments in controlled entities

Name of company	Held by	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Umjindi Local Economic Development Agency (PTY) LTD	Umjindi Local Municipality	100.00 %	100.00 %	100	100

The investment is held at cost.

The carrying amounts of controlled entities are shown net of impairment losses.

Umjindi Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
9. Employee benefit obligations		
Post retirement health care benefit		
Balance at the beginning of the year	15,531,000	11,723,000
Service costs	1,172,000	654,000
Interest cost	1,109,000	952,000
Less benefits paid	(455,000)	(509,000)
Actuarial (gain) / loss	(186,000)	2,711,000
	17,171,000	15,531,000

Net expense recognised in Statement of Financial Performance

Service costs	1,172,000	654,000
Interest cost	1,109,000	952,000
Less benefits paid	(455,000)	(509,000)
Actuarial (gain) / loss	(186,000)	2,711,000
	1,640,000	3,808,000

The municipality's post-employment health care liability consists of a commitment to pay portion of the pensioners' post employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

These funds are subject to actuarial valuations. The last valuation was performed by an independent actuarial firm, One Pangaea Financial, on 30 June 2014.

Umjindi is committed to pay subsidies broadly as follows:

50% or 60% or 70% to current continuation pensioners and 50% or 60% or 70% in post employment for currently employed staff.

Widow(er)s and orphans of current continuation pensioners are entitled to continue, at 50% or 60% or 70%, the subsidy upon the death of the pensioner.

In-service members (employees)	138	134
Continuation members	14	14
	152	148

The municipality makes monthly contributions for health care arrangements to the following accredited medical aid schemes:

- Key Health
- Bonitas
- Hosmed
- LA Health
- SAMWUMED

Umjindi Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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9. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates (D)	9.44 %	7.25 %
Consumer price inflation (C) - General inflation	6.97 %	6.25 %
Health care cost inflation (H) - Medical inflation	8.47 %	6.75 %
Salary Inflation (S)	7.79 %	7.15 %
Expected retirement age - female	65	65
Expected retirement age - male	65	65

Defined contribution plan

All Councillors and employees belong to defined contribution retirement funds administered by the National Pension Fund approved by the Bargaining Council. These funds are subject to a triennial actuarial valuation. These valuations indicate that the funds are in a sound position.

The municipality is under no obligation to cover any unfunded benefits.

10. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	At amortised cost	Total
Consumer debtors from exchange and non-exchange transactions	-	26,466,954	26,466,954
Other receivables from non-exchange transactions	-	6,776,453	6,776,453
Cash and cash equivalents	18,830	7,362,983	7,381,813
	18,830	40,606,390	40,625,220

Financial liabilities

	At amortised cost	At cost	Total
Other financial liabilities - long-term	2,268,814	-	2,268,814
Other financial liabilities - short-term	931,830	-	931,830
Trade and other payables from exchange transactions	54,933,485	25,852,350	80,785,835
	58,134,129	25,852,350	83,986,479

2013

Financial assets

	At fair value	At amortised cost	Total
Consumer debtors from exchange and non-exchange transactions	-	29,494,415	29,494,415
Other receivables from non-exchange transactions	-	4,092,138	4,092,138
Cash and cash equivalents	15,830	6,811,676	6,827,506
	15,830	40,398,229	40,414,059

Financial liabilities

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
Financial instruments disclosure (continued)		
	At amortised cost	Total
Other financial liabilities - long-term	3,200,645	3,200,645
Other financial liabilities - short-term	829,291	829,291
Trade and other payables from exchange transactions	35,868,258	35,868,258
	39,898,194	39,898,194
11. Inventories		
Water	57,108	44,419
Stores, materials and fuels	2,293,667	2,328,929
	2,350,775	2,373,348
Inventory pledged as security		
There were no inventories pledged as security during the 2013/2014 financial year.		
12. Other receivables from non-exchange transactions		
Traffic fines	568,850	83,380
Eskom (Deposits)	3,023,000	3,000,000
Sundry debtors	2,055,313	801,443
Part-payments	1,703,118	200,000
Underbanked cash	7,315	7,315
	7,357,596	4,092,138
13. Consumer debtors		
Gross balances		
Rates	21,633,685	16,711,231
Electricity	7,965,608	8,422,823
Water	18,080,622	15,968,317
Sewerage	8,775,737	7,835,397
Refuse	14,531,761	11,883,782
Sundry	13,191,655	14,879,440
	84,179,068	75,700,990
Less: Allowance for impairment		
Rates	(19,018,461)	(12,660,954)
Electricity	(5,296,031)	(4,156,615)
Water	(9,607,464)	(8,431,388)
Sewerage	(5,127,397)	(4,335,765)
Refuse	(7,158,417)	(6,042,145)
Housing rental	(877)	(877)
Sundry	(11,503,467)	(14,220,896)
	(57,712,114)	(49,848,640)

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
13. Consumer debtors (continued)		
Net balance		
Rates	2,615,224	4,050,277
Electricity	2,669,577	4,266,208
Water	8,473,158	7,536,929
Sewerage	3,648,340	3,499,632
Refuse	7,373,344	5,841,637
Housing rental	(877)	(877)
Sundry	1,688,188	658,544
	26,466,954	25,852,350
Included in above is receivables from exchange transactions		
Electricity	2,669,577	4,266,208
Water	8,473,158	7,536,929
Sewerage	3,648,340	3,499,632
Refuse	7,373,344	5,841,637
Housing rental	(877)	(877)
Sundry	1,688,188	658,544
	23,851,730	21,802,073
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	2,615,224	4,050,277
Net balance	26,466,954	25,852,350
Rates		
Current (0 -30 days)	614,869	517,055
31 - 60 days	547,001	510,520
61 - 90 days	543,005	618,462
91 - 120 days	552,359	369,543
121 - 365 days	357,990	582,985
> 365 days	-	1,451,712
	2,615,224	4,050,277
Electricity		
Current (0 -30 days)	399,171	516,636
31 - 60 days	177,820	269,184
61 - 90 days	196,980	703,121
91 - 120 days	313,483	366,279
121 - 365 days	167,814	510,181
> 365 days	1,414,309	1,900,807
	2,669,577	4,266,208
Water		
Current (0 -30 days)	963,290	2,037,577
31 - 60 days	783,539	630,623
61 - 90 days	602,367	628,607
91 - 120 days	550,353	687,550
121 - 365 days	1,188,848	687,068
> 365 days	4,384,761	2,865,504
	8,473,158	7,536,929

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
13. Consumer debtors (continued)		
Sewerage		
Current (0 -30 days)	293,631	239,886
31 - 60 days	244,486	224,193
61 - 90 days	257,229	212,673
91 - 120 days	243,722	205,843
121 - 365 days	1,551,287	1,706,334
> 365 days	1,057,985	910,703
	3,648,340	3,499,632
Refuse		
Current (0 -30 days)	548,322	417,571
31 - 60 days	453,953	389,204
61 - 90 days	434,846	367,804
91 - 120 days	415,785	356,773
121 - 365 days	2,888,834	2,716,088
> 365 days	2,631,604	1,594,197
	7,373,344	5,841,637
Housing rental		
> 365 days	(877)	(877)
Sundry		
Current (0 -30 days)	516,140	397,410
31 - 60 days	115,635	94,430
61 - 90 days	118,650	166,704
91 - 120 days	119,733	-
121 - 365 days	87,057	-
> 365 days	730,973	-
	1,688,188	658,544
Reconciliation of allowance for impairment		
Balance at beginning of the year	(49,848,640)	(34,989,795)
Contributions to allowance	(12,928,483)	(14,907,973)
Bad debts written off against allowance	5,065,009	49,128
	(57,712,114)	(49,848,640)

Consumer debtors pledged as security

No consumer debtors were pledged as security.

Consumer debtors impaired

As of 30 June, 2014, consumer debtors of R - (2013: R -) were impaired and provided for.

The amount of the provision was R 57 712 144 as of 30 June, 2014 (2013: R 49 897 768).

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
14. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	18,830	15,830
Short - term deposits	7,201,500	4,532,429
Bank balance	161,483	2,279,247
	7,381,813	6,827,506

For the purpose of the cash flow statement, cash and cash equivalents comprise of the balances as disclosed above.

Cash and cash equivalents pledged as collateral

No cash and equivalents of the municipality were pledged as collateral.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June, 2014	30 June, 2013	30 June, 2014	30 June, 2013
First National Bank - Barberton Branch (270152) Account Number (51600026441)	- 34,673	403,723	- 313,490	736,984
Absa BANK - Call Account - Nelspruit Branch 407 085 2360	- 12,370	12,791	- 12,370	12,791
First National Bank - Business Money Market Account - Account Number (62271408926)	- -	15,846	- -	15,846
First National Bank - Barberton Branch (270152)- Account Number (62199275647)	- -	50	- -	50
First National Bank - Barberton Branch (270152) Account Number (62305845995)	- 4,541,136	10,198	- 4,541,136	10,198
First National Bank - Barberton Branch (270152) Account Number (62305846612)	- 2,576,507	4,451,233	- 2,576,507	4,451,233
First National Bank - Barberton Branch (270152) Account Number (62305846935)	- 10,096	20,221	- 10,096	20,221
First National Bank - Barberton Branch (270152) Account Number (62305847222)	- 12,989	22,092	- 12,989	22,092
First National Bank - Barberton Branch (270152) Account Number (62000772229)	- 40	29	- 40	29
First National Bank - Barberton Branch (270152) Account Number (62000774704)	- 133	83	- 133	83
Total	- 7,187,944	4,936,266	- 7,466,761	5,269,527

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
15. Other financial liabilities		
At amortised cost		
DBSA Loan L121	881,157	1,034,487
This loan bears interest at 14.5 % and is repayable in bi-annual instalments up to 31 March 2018		
DBSA Infrastructure L122	779,642	878,596
This loan bears interest at 15 % and is repayable in bi-annual instalments up 31 March 2019		
DBSA Infrastructure L124	560,239	619,263
This loan bears interest at 16.5 % and is repayable in bi-annual instalments up 31 March 2019		
DBSA Loan Elec Ext 13 L25832	328,285	623,665
This loan bears interest at 10.81 % and is repayable in bi-annual instalments up 31 March 2015		
DBSA Elec Loan Rural Electrification L102202	651,321	873,926
This loan bears interest at 9.08 % and is repayable in bi-annual instalments up 31 March 2016		
	3,200,644	4,029,937
Total other financial liabilities	3,200,644	4,029,937
Non-current liabilities		
Other financial liabilities - long-term		
At amortised cost	2,268,814	3,200,645
Current liabilities		
Other financial liabilities - short-term portion		
At amortised cost	931,830	829,291
16. Finance lease obligation		
Minimum lease payments due		
- within one year	-	50,520
	-	50,520
less: future finance charges	-	(2,659)
Present value of minimum lease payments	-	47,861
Present value of minimum lease payments due		
- within one year	-	47,861

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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17. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	4,450,192
Disaster Relief Grant	-	752,509
	-	5,202,701

Movement during the year

Balance at the beginning of the year	5,202,701	2,877,322
Additions during the year	114,911,845	41,471,735
Income recognition during the year	(120,114,546)	(39,146,356)
	-	5,202,701

See note 26 for reconciliation of grants from National/Provincial Government.

18. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Landfill rehabilitation	8,878,320	152,173	-	9,030,493
Performance bonuses	735,593	901,255	-	1,636,848
Long service award	3,861,000	142,000	-	4,003,000
	13,474,913	1,195,428	-	14,670,341

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Landfill rehabilitation	7,850,000	1,426,814	(398,494)	-	8,878,320
Performance bonuses	951,305	735,593	-	(951,305)	735,593
Long service award	3,861,000	-	-	-	3,861,000
	12,662,305	2,162,407	(398,494)	(951,305)	13,474,913

Non-current liabilities	13,033,493	12,739,320
Current liabilities	1,636,848	735,593
	14,670,341	13,474,913

Landfill site

The landfill rehabilitation provision represents management's best estimate of the municipality's liability. It relates to the current cost estimate involved to rehabilitate the land within the next 12 months.

Performance bonus

Performance bonuses accrue to employees, subject to certain conditions. The provision represents management's best estimate of the amount due to staff at the reporting date.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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18. Provisions (continued)

Long service award

Umjindi municipality offers bonuses for every 5 years of completed service from 10 years to 45 years. Employees are entitled/awarded leave days equivalent to the number of years served eg. 10 years of service, one gets 10 days of leave, 15 years one gets 15 days of leave and 20, 25, 30, 35, 40, 45 years one gets 30 days of leave, which can either be taken as leave or to be paid out in cash.

Balance at the beginning of the year	3,861,000	3,017,000
Service costs	464,000	353,000
Interest cost	272,000	240,000
Less Bonuses paid	(216,000)	(207,000)
Actuarial (gain) / loss	(378,000)	458,000
	4,003,000	3,861,000

Net expense recognised in Statement of Financial Performance

Service costs	464,000	353,000
Interest cost	272,000	240,000
Less benefits paid	(216,000)	(207,000)
Actuarial (gain) / loss	(378,000)	458,000
	142,000	844,000

Key assumptions used

Assumptions used at the reporting date:

Discount rates (D)	8.51 %	7.25 %
Consumer price inflation (C) - General inflation	6.30 %	6.25 %
Salary Inflation (S)	7.30 %	7.15 %

19. Trade and other Payables from exchange transactions

Trade payables	33,542,652	16,296,565
Staff leave	4,955,954	4,673,882
Pro - rata Bonuses	12,756	5,069
Accrued trade payables	9,620,532	8,436,626
Retentions	3,672,768	2,638,106
Other creditors	14,457	21,830
Sundry deposits and receipts	30,852	20,634
Unidentified bank deposits	2,037,140	2,263,184
Payment received in advance (Prepaid electricity)	1,042,012	1,512,364
	54,929,123	35,868,260

20. VAT payable

VAT payable	-	3,214,096
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VAT is payable on the receipt basis. Only once payment has been received is VAT paid to SARS.

21. VAT receivable

VAT	2,001,927	-
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Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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21. VAT receivable (continued)

VAT is payable on the receipt basis. Only once payment has been received is VAT paid to SARS.

22. Consumer deposits

Electricity & Water	2,660,371	2,564,854
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No interest is paid on consumer deposits.

23. Revenue

Service charges	104,212,800	99,946,952
Rental of facilities and equipment	535,811	698,109
Interest received - outstanding debtors	4,648,416	4,682,153
Licences and permits	2,728,658	2,643,902
Other income	5,620,076	6,498,269
Interest received - external investment	509,136	560,779
Property rates	22,306,340	20,574,442
Government grants & subsidies	120,114,546	80,296,106
Public contributions and donations	2,734,625	18,456
Fines	732,750	238,595
	264,143,158	216,157,763

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	104,212,800	99,946,952
Rental of facilities and equipment	535,811	698,109
Interest received - outstanding debtors	4,648,416	4,682,153
Licences and permits	2,728,658	2,643,902
Other income	5,620,076	6,498,269
Interest received - external investment	509,136	560,779
	118,254,897	115,030,164

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	22,306,340	20,574,442
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Transfer revenue

Government grants & subsidies	120,114,546	80,296,106
Public contributions and donations	2,734,625	18,456
Fines	732,750	238,595
	145,888,261	101,127,599

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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24. Property rates

Rates received

Residential	15,591,286	13,827,554
Commercial	5,169,992	4,548,148
State	4,549,775	1,175,068
Agriculture (farms)	8,248,500	13,937,916
Institutional	2,428,053	4,440,455
Rates rebate	(13,681,266)	(17,354,699)
	22,306,340	20,574,442

Valuations

Residential	1,962,747,903	1,350,717,104
Commercial	323,011,600	224,846,000
State	568,721,900	114,529,000
Agriculture (farms)	1,030,978,500	1,358,471,332
	3,885,459,903	3,048,563,436

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

25. Service charges

Sale of electricity	66,031,446	62,621,480
Sale of water	21,035,902	21,296,351
Sewerage and sanitation charges	5,582,320	5,370,984
Refuse removal	11,563,132	10,658,137
	104,212,800	99,946,952

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
26. Government grants and subsidies		
Operating grants		
Equitable Share	47,931,000	41,247,000
Financial Management Grant (FMG)	1,550,000	1,500,000
Municipal Systems Improvement Grant (MSIG)	890,000	800,000
Expanded Public works Incentive Grant (EPWP)	1,293,510	1,493,000
Disaster Relief Grant	752,509	2,124,813
	52,417,019	47,164,813
Capital grants		
Municipal Infrastructure Grant (MIG)	32,501,451	22,731,293
Intergrated National Electrification Program (INEP)	18,000,000	10,400,000
Municipal Water Infrastructure Grant (MWIG)	17,196,076	-
	67,697,527	33,131,293
	120,114,546	80,296,106

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services:

All residential consumers: water (6KL)

Indigent community members: electricity (50Kwh)

All registered (approved) indigent community members are also being subsidised on solid waste removal and sanitation. All registered (approved) indigent community members receive 100% subsidy on Property Tax.

The equitable share (portion as gazetted) is also being used to subsidise the remuneration of councillors. No funds were withheld.

Municipal Infrastructure Grant

Balance unspent at beginning of year	4,450,192	-
Current-year receipts	28,051,259	27,181,485
Conditions met - transferred to revenue	(32,501,451)	(22,731,293)
Unspent at the end of the year	-	4,450,192

This grant is utilised for the replacement of the AC waterpipes with PVC water pipes (lower part of Spearville, Dindela and CBD phase 6), bulk Rectification at Verulam, roads and storm water drainage Ext 13 & 14, Graveville (main road) and one street in New Village.

Municipal Water Infrastructure Grant (MWIG)

Current-year receipts	17,196,000	-
Conditions met - transferred to revenue	(17,196,000)	-
Unspent at the end of the year	-	-

This Grant is utilised to build commercial taps rectification at Esperado & kamashayane, Suidkaap water purification and Queens river pump station, refurbishment and upgrading Lomati dam wall (Phase 1).

Finance Management Grant

Current-year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue	(1,550,000)	(1,500,000)
Unspent at the end of the year	-	-

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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26. Government grants and subsidies (continued)

This grant is used for the CPMD training of 5 officials, the remuneration of 5 interns and assistance with the compilation of the financial statements and turn around strategy for the 2013/2014 financial year.

Intergrated National Electrification Program

Current-year receipts	18,000,000	10,400,000
Conditions met - transferred to revenue	(18,000,000)	(10,400,000)
Unspent at the end of the year	-	-

This grant is used to electrify houses at eMjindini Trust (300 houses), Sheba siding Phase 2 (700 houses), and Bulk supply and Substation at eMjindini Phase 2.

Municipal Systems Improvement Grant

Current-year receipts	890,000	800,000
Conditions met - transferred to revenue	(890,000)	(800,000)
Unspent at the end of the year	-	-

This grant is used for the updating of a credible valuation roll, Grap 17 asset register, SCM database and development of by Laws.

Expanded Public Works Incentive Grant

Current-year receipts	1,286,000	1,493,000
Conditions met - transferred to revenue	(1,286,000)	(1,493,000)
Unspent at the end of the year	-	-

This grant was used on programmes aimed at providing poverty and income relief through temporary work for the unemployed.

Disaster relief grant

Balance unspent at beginning of year	752,509	2,877,322
Conditions met - transferred to revenue	(752,509)	(2,124,813)
Unspent at the end of the year	-	752,509

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
27. Other income		
Other income	5,620,076	6,498,269
Other income is made as follows:		
Sale of stands	1,539,883	1,678,692
Meter tempering	353,933	101,406
Sundry income	152,612	29,147
Burial fees	186,427	175,256
Telephone income	551,240	292,057
Application and tender fees	270,820	261,364
Connections - water, sewerage and electricity	1,107,866	1,279,396
BOBS - Old Age Home	134,102	104,423
Insurance claims	661,783	1,565,349
SETA income	291,915	252,586
Other gains from operations	-	565,519
Plan approval and copies	107,775	125,733
Photo copies	25,621	25,468
Cash surplus	72,407	19,616
Swimming pool fees	30,908	21,260
Penalty on contract payment	132,500	-
Library fines	284	997
	5,620,076	6,498,269

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
28. General expenses		
Accounting fees	-	14,022
Advertising	142,836	98,095
Auditors remuneration	3,515,173	2,619,272
Bank charges	557,323	470,969
Traffic fines-write offs	59,325	-
Stock shortages written off	45,949	317,295
Consulting and professional fees	255,815	73,578
LG SETA interns	42,000	-
Entertainment	11,549	16,622
Insurance	1,401,323	1,661,603
Lease rentals on operating lease	1,700,578	1,192,259
Fleet	4,887,634	5,286,766
Magazines, books and periodicals	123	462
Licence fees	715,008	720,693
Postage and courier	12,736	10,519
Printing and stationery	404,201	679,576
Security	2,077,713	2,069,487
Subscription and membership fees	866,259	1,121,204
Telephone and fax	1,936,472	1,859,764
Training	-	75,305
Travel - local	2,467,661	2,689,113
Skills development	623,868	584,986
Departmental charges	3,149,301	4,706,919
Other expenses	2,476,161	1,166,417
Contributions to provisions (landfill, performance bonuses and staff leave)	2,679,191	4,468,692
Administration costs	1,855,027	1,299,964
Capital grants - expenditure	8,852,953	1,667,844
Travel and accommodation	613,779	554,994
Town planning	35,400	319,610
Medical contributions - pensioners	2,106,115	4,264,225
Valuation costs	174,634	1,108,056
Connections - electricity	945,753	1,013,195
Chemicals	295,143	303,023
Operational grants - expenditure	2,345,631	3,926,757
Indigent subsidy	4,873,232	6,123,946
	52,125,866	52,485,232

Umjindi Local Municipality

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Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
29. Employee related costs		
Basic	39,860,414	35,219,024
Contributions to medical aid	2,788,447	2,674,157
Unemployment Insurance Fund	428,907	397,731
Workmens Compensation	769,443	303,114
Annual bonuses	2,917,242	2,754,322
Travel allowances	2,458,483	2,592,183
Overtime payments	6,542,050	4,915,246
Stand by allowances	545,103	508,376
Protective clothing	373,628	470,450
Housing Subsidy	199,121	223,584
Acting Allowance	435,000	500,584
Contributions to pension funds	7,383,476	7,017,671
Contributions to group insurance	596,866	548,246
	65,298,180	58,124,688
Remuneration of Municipal Manager - DP Msibi		
Annual Remuneration	752,771	468,137
Travel Allowance	405,338	222,016
Acting allowance	-	74,290
	1,158,109	764,443
Remuneration of Chief Financial Officer - TP Mpele		
Annual Remuneration	713,259	671,833
Travel Allowance	237,753	221,136
Acting allowance	-	57,557
	951,012	950,526
Remuneration of Director Electrical Services - AWJ Landsberg		
Annual Remuneration	615,226	580,642
Travel Allowance	335,796	312,327
Acting allowance	-	23,286
	951,022	916,255
Remuneration of Director Community Services - C Makhanya		
Annual Remuneration	713,259	671,833
Travel Allowance	237,753	221,136
Acting allowance	-	15,520
	951,012	908,489
Corporate and human resources (corporate services) - D Ndlovu		
Annual Remuneration	713,259	671,833
Travel Allowance	237,753	221,136
Acting allowance	4,142	36,110
	955,154	929,079

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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29. Employee related costs (continued)

Remuneration of Director Civil

Acting allowance	284,796	254,860
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Remuneration of Director Administration - J Badenhorst

Annual Remuneration	713,259	671,833
Travel allowance	237,753	221,136
Acting allowance	10,769	-
	961,781	892,969

30. Remuneration of Councillors

Executive Mayor	677,825	645,549
Mayoral Committee Members	1,646,150	1,168,682
Speaker	542,262	516,438
Part-time councillors	2,427,943	2,305,947
Councillors' pension contribution	280,373	266,547
Councillors' medical aid contribution	-	7,201
	5,574,553	4,910,364

The salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and share secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties, full-time driver and has full-time security guards at his own residence, at the cost of the council.

Executive Mayor - LV Mashaba

Annual Remuneration	438,938	416,621
Travel allowance	164,749	157,881
Contributions to Pension Funds	74,137	71,047
	677,824	645,549

Speaker - PV Mkhathshwa

Annual Remuneration	351,203	327,155
Travel Allowance	131,800	126,305
Contributions to Pension Funds	59,260	56,837
Contributions to medical	-	6,140
	542,263	516,437

Chief Whip / MMC Technical Services - ME Nsimbini

Annual Remuneration	505,848	147,410
Travel Allowance	123,562	53,417
	629,410	200,827

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
30. Remuneration of Councillors (continued)		
MMC Finance & Admin - NE Mkhabela		
Annual Remuneration	329,205	305,356
Travel Allowance	123,562	118,353
Contributions to Pension Funds	55,603	53,259
Contributions to medical	-	6,960
	508,370	483,928
MMC Transversal - MJ Hlophe		
Annual Remuneration	329,205	305,116
Travel Allowance	123,562	118,353
Contributions to Pension Funds	55,603	53,259
Contributions to medical	-	7,200
	508,370	483,928
Part-time councillors		
Annual Remuneration	1,771,416	1,682,205
.	656,527	623,741
Contributions to Pension Funds	280,373	266,547
Contributions to medical aid	-	7,200
	2,708,316	2,579,693
31. Interest received - external investments		
Interest revenue		
Bank	509,136	560,779
32. Fair value adjustments		
Investment property	-	(29,837,900)
Property, plant and equipment	(3,424,900)	-
	(3,424,900)	(29,837,900)
33. Depreciation and amortisation		
Property, plant and equipment	25,697,670	25,402,233
Intangible assets	80,540	31,356
	25,778,210	25,433,589
34. Impairment of assets		
Impairments		
Property, plant and equipment	-	1,688,194
35. Finance costs		
Trade and other payables	509,719	144,177
Finance leases	2,659	21,170
Current borrowings	616,475	597,987
	1,128,853	763,334

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
36. Material and bulk purchases		
Electricity	62,856,670	57,169,147
37. Cash generated from operations		
Surplus (deficit)	27,149,263	(65,564,813)
Adjustments for:		
Depreciation and amortisation	25,778,210	25,433,589
Loss on sale of assets	(226,180)	27,894,959
Fair value adjustments	3,424,900	29,837,900
Finance costs - Finance leases	2,659	21,170
Impairment of assets	-	1,688,194
Contributions to allowance for impairment of debtors	12,928,483	14,907,973
Movements in retirement benefit assets and liabilities	1,640,000	3,940,782
Movements in provisions	1,195,428	1,763,913
Changes in working capital:		
Inventories	22,573	(5,191)
Other receivables from non-exchange transactions	(3,265,458)	(3,989,909)
Consumer debtors from exchange transactions	(13,543,087)	(11,375,646)
Trade and other Payables from exchange transactions	19,060,865	11,353,886
VAT	(5,216,023)	1,203,877
Unspent conditional grants	(5,202,701)	2,325,379
Consumer deposits	95,517	80,422
	63,844,449	39,516,485
38. Commitments		
Commitments in respect of capital expenditure		
Approved and contracted for:		
• Infrastructure	7,822,795	12,250,398
The expenditure will be financed from:		
• Government grants	7,822,795	12,250,398
Commitments in respect of operating expenditure		
Approved:		
• Operating expenditure	3,433,549	13,648,533
Operating leases - as lessee (expense)		
Minimum lease payments due		
Up to 1 year	2,532,796	3,430,525
1 - 5 years	1,054,053	3,403,230
More than 5 years	-	-
	3,586,849	6,833,755

The municipality as a lessee

Operating leases relate to motor vehicles with lease terms of between one to five years. The municipality does not have an option to purchase the leased asset at the expiry date.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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39. Contingencies

Contingent liability

NICS has filed a case at high court regarding the amount of R 772 121.00 owed to them. The municipality dispute the amount and evidence is available that substitute the possible reduction of the amount. The amount to be paid cannot reliably measured.

40. Related parties

Relationships

Umjindi Municipal Local Economic Development Agency (UMLEDA)
The Umjindi Municipal Local Economic Development Agency (UMLEDA) was incorporated on 30 October 2008. The Umjindi Local Municipality Council resolved to report all Agency related pre-incorporation financial transactions for the first time at 30 June 2009.

Umjindi Local Municipality

Controlling entity

Authorised shares

Issued shares

1 000 @R1

100 @ R1

Umjindi local municipality holds 100 % of issued shares.

Barberton Community Tourism

Nature: Significant influence

Timing: Those are as reported at 30 June 2014

Amount paid: Nil

Umjindi Jewellery Project

Nature: Significant influence

Timing: Those are as reported at 30 June 2014

Amount paid: R Nil

Umjindi Resource Centre

Nature: Significant influence

Timing: Those are as reported at 30 June 2014

Amount paid: Nil

Compensation to key management is disclosed on note 29 and 30.

Related party balances

Loan accounts - Owning (to) by related parties

Umjindi Municipal Local Economic Development Agency (UMLEDA)

100,000

-

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
41. Correction of prior period errors		
Other financial liabilities		
Other financial liabilities was overstated by including interest accrued to the capital outstanding balance.		
The correction of the error(s) results in adjustments as follows:		
Statement of Financial Position		
Non-current liabilities		
Other financial liabilities	-	(132,782)
Accumulated surplus or deficit	-	132,782
	-	-
Statement of Financial Position		
Current liabilities		
Other financial liabilities	-	(25,158)
Accumulated surplus or deficit	-	25,158
	-	-
Provisions		
During the previous years the council have been making provision for performance bonus for all senior managers based on their contractual agreement. Since senior manager were not assessed as per their contractual agreement, the probability of paying senoir manager's performance bonus were minimal. Total provision decreased by R 951 305.00.		
Long service awarded was not accounted for in the comparative year. Total provision increased by R 3 861 000.00		
The correction of the error(s) results in adjustments as follows:		
Statement of Financial Position		
Current liabilities		
Provisions		
Performance bonus	-	951,305
Accumulated surplus or deficit	-	(951,305)
	-	-
Statement of Financial Position		
Provisions		
Long service award	-	(3,861,000)
Accumulated Surplus or Deficit	-	3,861,000
	-	-
Intangible asset		
During 2012/2013 financial year intangible assets closing balance was understated, database software was not capitalised with additions for the year. The total intangible assets increased by R 171 929.91.		
The correction of the error(s) results in adjustments as follows:		
Statement of Financial Position		
Intangible asset	-	171,930
Accumulated depreciation	-	(2,388)

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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41. Correction of prior period errors (continued)

- 169,542

Statement of Financial Performance

Depreciation and amortisation	-	2,388
General expenses	-	(171,930)
	-	(169,542)

Infrastructure (WIP)

During 2012/2013 financial year WIP closing balance was understated and general expenses was overstated, certain certificates paid were not included when calculating WIP amount. The total WIP increased by R 7 113 048.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

Property, plant and equipment

Infrastructure (WIP)	-	7,113,048
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Statement of Financial Performance

General expenses	-	(7,113,048)
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Assets for no consideration

Investment Property that was included in the statement of financial performance during the year, it should have been recognised against accumulated surplus.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

Accumulated surplus or deficit	-	(47,130,000)
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Statement of Financial Performance

Assets for no consideration	-	47,130,000
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Other assets

During 2011/2012 financial year assets were disposed of. After verification during the 2013/2014 financial year it was found that this asset is still in use. This asset have been re-included in Property, plant and equipment.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

Property, plant and equipment

Other assets	-	94,132
Accumulated depreciation	-	(88,458)
	-	5,674

Statement of Financial Performance

Profit / (loss) on sale of assets	-	(5,674)
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Investment properties

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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Properties which were sold in previous years were still included in investment properties. Investment property was overstated by R688 000.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position

Investment properties	-	(688,000)
Accumulated surplus or deficit	-	688,000
	-	-

42. Change in accounting policy

During the year, the municipality changed its accounting policy with respect to the treatment of traffic fines. In order to confirm with the benchmark treatment in IGRAP 1 - Properbility of revenue. The municipality now recognises revenue arising from traffic fines when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured.

Increase in Receivables from non-exchange transactions	-	83,380
Increase in traffic fines	-	(83,380)
	-	-

43. Change in estimate

Property, plant and equipment

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful live expectations of some assets items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate. The effect of this revision is a decrease in the depreciation charges for the current period of 2014: R 607 021 (2013: R 632 174).

Intangible asset

In terms of the requirements of GRAP 17 the useful lives of all asset items were reviewed by management at year end. The remaining useful live expectations of some assets items differed from previous estimates. This resulted in a revision of some of the previous estimates which was accounted for as a change in accounting estimate. The effect of this revision is a increase in the depreciation charges for the current period of 2014: R 6 673.92 (2013: R 312.)

The effect of future period cannot be reasonably estimated.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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44. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 16, 15, cash and cash equivalents disclosed in note 14, and net assets as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2014 and 2013 respectively were as follows:

Total borrowings			
Finance lease obligation	16	-	47,861
Other financial liabilities	15	3,200,644	4,029,936
		3,200,644	4,077,797
Less: Cash and cash equivalents	14	7,381,813	6,827,506
Net debt		(4,181,169)	(2,749,709)
Total equity		795,017,232	767,867,967
Total capital		790,836,063	765,118,258

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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44. Risk management (continued)

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limit.

The Chief Financial Officer monitors and manages the financial risks relating to the operations through internal policies and procedures. The risks include interest rate risk, credit risk and liquidity risk. Risk Management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

The Municipality's activities expose it to a variety of financial risk; market risk, credit risk and liquidity risk.

Maturity analysis

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cashflows are substantially independent of changes in market interest rate.

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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44. Risk management (continued)

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses other publicly available financial information and its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit risk consists mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments / Cash and Cash Equivalents

The Municipality limits its counterparty exposures from its short-term investments (Financial assets that are neither pass, due nor impaired) by only dealing with well-established financial institutions short-term credit rating of BBB and long term credit rating of AA and higher at an international accredited credit rating agency. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently the municipality does not consider there to be any significant exposure to credit risk.

Trade and other receivables

Trade and other receivables are amounts owing by consumers and are presented net of impairment losses. The Municipality has a Credit Risk Policy in place, and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness, subsequently the Municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur rates, water and electricity debts.

The Municipality limits the risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- Through the application of Section 118 (3) of the Municipal Systems Act (MSA) which permits the Municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- A new owner is advised, prior to the issue of a revenue clearance certificate that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- Through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of Section 102 of the MSA.
- Through the requirement of a deposit for new service connections, serving as guarantee.
- Through encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors who are unable to pay are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Long Term receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting a report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting.

Except as detailed in the following table, the carrying amount of financial assets recorded in the annual financial statements

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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44. Risk management (continued)

which is net of impairment losses, represents the Municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Consumer debtors from exchange transactions	26,466,954	25,852,350
Other receivables from non-exchange transactions	6,776,453	4,092,138
Cash and cash equivalents	7,964,437	6,827,506

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

46. Events after the reporting date

There were no events after the reporting date that were considered adjustable.

47. Fruitless and wasteful expenditure

Opening balance	316,636	172,459
Fruitless and wasteful expenditure current year	509,719	144,177
	826,355	316,636

The fruitless and wasteful expenditure was as a results of late payment of accounts. Non adherence of 30 days.

48. Irregular expenditure

Acting allowance	140,158	254,860
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Acting allowances in excess of the three months was paid out to the Assistant Director Civil Services.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year expense	594,252	514,676
Amount paid	(594,252)	(514,676)
	-	-

Audit fees

Current year expense	3,515,173	2,619,272
Amount paid	(3,515,173)	(2,619,272)
	-	-

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
49. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year payroll deduction : PAYE	9,208,080	7,566,851
Current year payroll deduction : UIF	884,744	845,279
Amount paid - current year : PAYE	(9,208,080)	(7,566,851)
Amount paid - current year : UIF	(884,744)	(845,279)
	-	-
Pension and medical aid deductions		
Current year payroll deduction : Pension	11,799,484	11,164,583
Current year payroll deduction : Medical Aid	5,108,067	4,869,269
Amount paid - current year : Pension	(11,799,484)	(11,164,583)
Amount paid - current year : Medical Aid	(5,108,067)	(4,869,269)
	-	-

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand 2014 2013

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' and officials arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June, 2014:

30 June, 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Mashaba LV	833	-	833
Cllr Mkhathshwa PV	614	-	614
Cllr Hlophe MJ	132	-	132
Cllr Gecelo N	3,299	6,780	10,079
Cllr Manyisa TR	1,061	-	1,061
Cllr Mthunywa AZ	381	-	381
Cllr Mabuza S	2,349	4,391	6,740
Cllr Jacobs ME	1,183	-	1,183
Cllr Mnisi LG	1,116	320	1,436
Msibi DP	931	188	1,119
Venter ML	2,016	-	2,016
Schoeman JH	1,987	-	1,987
Morgan VG	1,770	2,515	4,285
Hobbs CJ	2,389	12,089	14,478
Tembe LD	134	-	134
Mabuza JJ	1,412	2,068	3,480
Myeni VV	316	-	316
Van Den Heever JFJ	6,244	9,534	15,778
Joubert W	1,466	-	1,466
Thwala ZR	1,135	1,405	2,540
Erasmus D	1,518	-	1,518
Nkabinde MS	6,771	11,460	18,231
Reddy M	792	902	1,694
Mangokoane E	483	1,359	1,842
Nkosi FT	577	-	577
Khoza ME	178	-	178
Shongwe AP	864	792	1,656
Mbamba ED	272	-	272
Masinga NB	86	-	86
Nkosi DT	86	-	86
Nkosi VE	527	-	527
Mahlalela A	567	1,610	2,177
Nkambule I	542	1,577	2,119
Ncongwane SB	107	-	107
Mazibuko PF	162	-	162
Lasnit J	983	-	983
Phiri DM	2,895	15,481	18,376
Mabuza SM	605	2,180	2,785
Thusi MP	2,051	5,746	7,797
Mkhatshwa SD	338	463	801
Magagula JD	330	1,050	1,380
Thwala MT	7,331	-	7,331
Mashele MS	386	-	386
Singwane BP	4,109	-	4,109
Zitha MA	86	-	86
Mathebula RB	133	-	133
Nkosi JZ	387	-	387
Thwala MNR	464	224	688
Sibiti KC	520	463	983
Shongwe TA	855	231	1,086
Madonsela BD	87	-	87

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
49. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Malinga KD	1,220	858
Khoza BJ	128	-
Fonete TT	1,239	460
Lukhele M	120	-
Khoza CSRV	126	-
Madonsela SM	630	1,150
Dlamini RF	380	-
Ngomane MA	122	-
DE Villiers I	1,922	-
Nkosi NO	804	-
Mkhatshwa ZO	871	932
Ndlovu SJ	931	565
Gwebu FG	1,095	1,946
Mabuza JM	674	1,108
	76,122	89,847
		165,969

30 June, 2013

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Gecelo EN	2,118	4,350	6,468
Cllr Hlophe JM	661	482	1,143
Cllr Manyisa TR	435	-	435
Cllr Mthunywa AZ	461	940	1,401
Cllr Mabuza S	1,034	1,841	2,875
Msibi DP	4,544	13,601	18,145
Basson L	514	-	514
Venter ML	951	-	951
Morgan VG	2,165	10,906	13,071
Hobbs CJ	2,407	16,074	18,481
Khoza ME	567	-	567
Tembe LD	971	3,954	4,925
Shongwe AP	417	-	417
Myeni VV	764	237	1,001
Baloyi JS	1,884	6,217	8,101
Van Den Heever JFJ	5,259	9,300	14,559
Joubert W	2,456	-	2,456
THwala ZR	589	-	589
Erasmua D	694	-	694
Landsberg AWJ	958	-	958
Nkabinde MS	6,213	20,290	26,503
Reddy M	1,701	9,753	11,454
Msibi MK	503	3,318	3,821
Mangokoane E	665	4,845	5,510
Nkosi FT	710	3,914	4,624
Nkosi BS	670	1,083	1,753
Masinga NB	144	-	144
Nkosi DT	1,118	5,271	6,389
Mahlalela SP	168	-	168
Magagula DW	770	5,073	5,843
Nkosi VE	487	2,600	3,087
Mahlalela A	414	2,243	2,657
Nkambule I	475	1,215	1,690
Ncongwane SB	351	528	879
Mazibuko PF	775	1,438	2,213
Phiri DM	2,256	14,165	16,421
Lasnibat J	991	-	991
Thusi MP	540	3,752	4,292
Mkhatshwa SD	321	723	1,044

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand		2014	2013
49. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Magagula JD	352	1,725	2,077
Thwala MT	733	5,918	6,651
Singwane BP	457	70	527
Magagula MP	495	-	495
Mnisi EM	-	119	119
Ngomane MA	599	4,031	4,630
Thwala MNR	500	871	1,371
Sibiti KC	321	723	1,044
Msibi RK	4,370	2,052	6,422
Mashabane CS	1,274	7,617	8,891
Madonssela BD	449	3,008	3,457
Malinga KD	542	1,919	2,461
Khoza BJ	210	-	210
Fonete TT	1,434	2,291	3,725
Lukhele EM	494	457	951
Madonsela SM	443	2,167	2,610
Dlamini RF	408	-	408
De Villiers I	1,893	-	1,893
Nkosi NO	2,741	1,654	4,395
Mkhatshwa ZO	945	1,874	2,819
Ndlovu SJ	1,204	3,399	4,603
Thabethe TB	873	8,810	9,683
Gwebu FG	1,103	4,971	6,074
Mabuza JM	516	921	1,437
Magagula MP	495	-	495
	71,972	202,710	274,682

Distribution losses in terms of MFMA 125(2)(d)(i)

Material losses incurred during the year under review were as follows:

Electricity

Units purchased	92,734,272	89,452,315
Units sold	62,952,801	65,020,464
Loss by distribution	29,781,471	24,431,851
% loss	32.11	27.31

Water

Kiloliter purified	4,002,656	3,821,619
Kiloliter sold	2,929,480	3,457,582
Loss by distribution	1,073,176	364,037
% loss	26.81	9.53

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
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50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reason for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The deviation details are as follows:

Name	Reason for deviation	Amount
Group 600SA	Group 600SA is the sole agent responsible for service and repair of Hino trucks	22,184
Government Printing Works	Final tariffs are advertised on the Government Printing Works as Gazetted	17,485
Conway General Supply	Two quotations were received	13,407
Sparks & Ellis (PTY) LTD	Payment of outstanding invoice	4,725
P.C Smit Pompe	strip and quote	31,217
Alco Safe (PTY) LTD	One quote was received for this alcohol testing machine	13,808
Barberton Meal Supply	Other local food stores refused to assist due to non - payment	12,664
Variprint Systems cc	One quote was received	15,083
Truvelo Manufacturers (PTY)Ltd	Strip and quote	2,464
PC Smit Pompe	Strip and quote	2,049
Contact Communications	Contact Communications is the previous radio supplier of the Municipality	84,058
Sebata	License Holder for the current financial system in the Municipality	29,939
Contact Communications	Only one quote was received as the company has already set up the Municipal sequences in the previous years	10,146
Micheal Bernstein Sheriff	Emergency Case	6,000
Task Motors	Sole Agent for Nissan Motor Vehicles	15,288
Sigulumba Trading Enterprises	Strip and quote	10,673
The U-joint and CV Joint Centre	Strip and quote	2,156
Workshop Electronics	Only one quote was received as Clifford Technologies failed to render the service	12,749
PC Smit Pompe	Strip and quote	24,127
Contact Communications	Only one quote was received as the company has already set up the Municipal sequences in previous years	30,353
Marce Fire Fighting Technology	Only one quote as received due to the scarcity of the product	12,107
Sebata	Current service provider for our FMS (Contracted Service Provider)	18,240
Wolters Kluwer	One quote was received as the previous service provider (PWC) has granted Wolters Kluwer permission to upgrade system on their behalf	52,217
Umjindi Guards (Hi Tech)	Current service provider responsible for security services in the Municipality	2,250
Shantui Equipment South Africa	Sole Manufacturer for Shantui Plants (Strip and quote)	23,835
Multisave Foodmarket / Barberton Meal Suppliers	Other local grocery stores are refusing to quote for the Municipality	18,180
Task Motors / Nissan Task	Sole Agent for Nissan Motor Vehicles	3,346

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand		2014	2013
50. Deviation from supply chain management regulations (continued)			
Tiger Wheel and Tyres Nelspruit	Emergency Case		6,179
Clariant South Africa (PTY)Ltd	Strip and quote		44,283
PC Smit Pompe	Strip and Quote		4,070
PC Smit Pompe	Strip and Quote		66,049
CQS Holdings (PTY)	Only one quote was received		48,764
Kal Tire	Second lowest price quoted reason being that Protea Tyres wanted payment before delivery		19,494
Kal Tire	Second lowest price quoted reason being that Protea Tyres wanted payment before delivery		18,502
FG Uniform CC	Only one quote was received as Sparks & Ellis refused to quote due to payment issues		38,469
Dawson & Dobson	Only one quote was received		7,834
Multisave Foodmarket / Barberton Meal Supplies	Other local grocery stores are refusing to quote for the Municipality due to payment related issues		18,799
Labserve	Only service available in Mpumalanga to assist Umjindi		194,644
Barberton Post Office	It is the sole distributor of prepaid envelopes locally		43,650
Multisave Foodmarket / Barberton Meal Supplies	Other local grocery stores are refusing to quote for the Municipality due to payment related issues		5,190
Tiger Wheel and Tyre Nelspruit	Emergency Case		6,179
Colas South Africa	Supplier recommended by end-user and their product quality is according to Umjindi's specification		81,150
Hi Tech Security / Umjindi Guards	Current security service provider for the Municipality		18,600
BSL Mpumalanga Consulting Engineers	Previous service provider to inspect the tunnel and they have previous years statistics		10,545
Westvaal Nelspruit Trucks	Only Isuzu Truck agent locally		9,263
PayDay Software Systems	Current Service Provider for our Salaries and HR System		16,234
Turner Morris	Strip and quote		2,917
Government Printing Works	Sole supplier of the forms as gazetted		19,001
Babata Pumps	Strip and quote		21,063
Sigulumba Trading Enterprises	Sigulumba was the only service provider who responded to the request for quotations		7,216
Barberton Brake and Clutch	Supplier was the only service provider who responded to the request for quotations		4,673
Sigulumba Trading Enterprises	Sigulumba was the only service provider who responded to the request for quotations		3,556
Magoveni Business Trust	Supplier has a contract with Council		84,360
Truvelo (PTY)Ltd	Emergency Case		8,253
Above and Beyond Trading	Emergency Case		136,710
Barberton Meal Supplies	Other local grocery stores are refusing to quote for the Municipality due to payment related issues		15,978
Mandlakazi Electrical Technologies	Emergency Case		74,581
Government Printers	Supplier is the sole provider of Road Traffic Forms		8,533
S&J Fitment Centre cc	Servie was strip and quote		19,105
Above and Beyond Trading	Emergency Case		216,720
BSL Consulting Engineers	Emergency Case		197,500
Boikobo Business Solutions (cc)	Strip and quote		59,857
Government Printing	Sole Supplier		2,178
Micro Auto Engineering	Strip and quote		37,565
			2,068,414

Umjindi Local Municipality

Annual Financial Statements for the year ended 30 June, 2014

Notes to the Annual Financial Statements for the year ended 30 June, 2014

Figures in Rand	2014	2013
51. Disclosure on arrears by Government		
Department of Education		
Arrear	150,637	450,708
Department of Public Works		
Arrear	728,029	1,536,962
Department of Arts and Culture		
Arrear	89,510	19,377
Department of Health		
Arrear	339,459	118,223

52. Budget differences

Differences between budget and actual amounts

1. Service charges

the actual amount decreased due to high water and electricity losses, lower consumption on services rendered, and this was also fuelled by floods experienced whereby community received lot of water for free. above all, the socio economic challenges remain catalyst.

2. Other income

the collection of other income is dependent on the number of disconnections and penalties which is always extremely difficult to estimate, and one year will differ from other year

3. Depreciation

the total additions to assets were underestimated during budget and the depreciations amount is net effect born by impairments, change in useful life and disposal of assets

4. Finance costs

the increase was caused by interest raised by creditors due to inability to pay the accounts within 30 days

5. Material and bulk purchases

the increase was caused by increase in demand for electricity due to growth of the town

Differences between budget and actual amounts basis of preparation and presentation

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the period from 01-Jul-13 to 30-Jun-14. The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements.

Changes from the approved budget to the final budget

The revenue collected was below the budgeted or estimated revenue, therefore we had to adjust.

53. Comparative figures

Financial assets and liabilities have been reclassified due to adoption of GRAP 104. It was previously classified according to IAS 39.

Certain comparative figures have been reclassified. Library fines were reclassified from fines to other income due to adoption of IGRAP 1.

The effects of the reclassification are as follows:

Statement of Financial Performance

Traffic fine	-	238,596
Other income - library fines	-	997

Appendix A

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June, 2013	Received during the period	Redeemed written off during the period	Balance at 30 June, 2014		
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
D B S A	11037	31-Mar-18	1,034,487	-	153,329	881,158	-
D B S A	13279	31-Mar-19	878,595	-	98,954	779,641	-
D B S A	13356	30-Sep-19	619,263	-	59,024	560,239	-
D B S A	101751	31-Mar-15	623,665	-	295,380	328,285	-
D B S A	102202	30-Sep-16	873,926	-	222,604	651,322	-
			4,029,936	-	829,291	3,200,645	-
			4,029,936	-	829,291	3,200,645	-
Total external loans							

Appendix B

Analysis of property, plant and equipment as at 30 June 2014

Cost

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	108,261,505	-	-	-	-	-	108,261,505	-	-	-	-	-	-	108,261,505
Buildings	14,834,922	-	-	-	-	-	14,834,922	(5,591,280)	-	-	(521,103)	-	(6,112,383)	8,722,539
	123,096,427	-	-	-	-	-	123,096,427	(5,591,280)	-	-	(521,103)	-	(6,112,383)	116,984,044
Infrastructure														
Main: Roads and stormwater	382,957,122	4,715,199	-	5,760,421	-	-	393,432,742	(170,247,524)	-	-	(11,318,940)	-	(181,566,464)	211,866,278
Sewerage Mains & purification	106,785,120	-	-	-	-	-	106,785,120	(22,690,435)	-	-	(1,829,080)	-	(24,519,515)	82,265,605
Main: Electricity	107,536,087	-	-	10,538,604	-	-	118,074,691	(41,915,221)	-	-	(3,995,586)	-	(45,910,807)	72,163,884
Main: water and Purification	258,015,459	7,238,812	-	1,386,451	-	-	266,640,722	(46,088,033)	-	-	(4,647,679)	-	(50,735,712)	215,905,010
Security Measures	381,007	-	-	148,226	-	-	529,233	(135,307)	-	-	(21,304)	-	(156,611)	372,622
	855,674,795	11,954,011	-	17,833,702	-	-	885,462,508	(281,076,520)	-	-	(21,812,589)	-	(302,889,109)	582,573,399
Community Assets														
Buildings	25,867,311	-	-	-	-	-	25,867,311	(17,543,947)	-	-	(860,081)	-	(18,404,028)	7,463,283
Recreational facilities	5,373,631	1,532,140	-	1,113,243	-	-	8,019,014	(3,216,743)	-	-	(233,525)	-	(3,450,268)	4,568,746
	31,240,942	1,532,140	-	1,113,243	-	-	33,886,325	(20,760,690)	-	-	(1,093,606)	-	(21,854,296)	12,032,029

Appendix B

Analysis of property, plant and equipment as at 30 June 2014

Cost							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Capital Work in Progress

WIP	22,200,088	49,012,163	-	(18,946,945)	-	-	52,265,306	-	-	-	-	-	52,265,306
	22,200,088	49,012,163	-	(18,946,945)	-	-	52,265,306	-	-	-	-	-	52,265,306

Landfill site

Landfill site	2,796,273	-	-	-	-	-	2,796,273	(2,031,125)	-	-	(103,051)	-	(2,134,176)	662,097
	2,796,273	-	-	-	-	-	2,796,273	(2,031,125)	-	-	(103,051)	-	(2,134,176)	662,097

Other assets

Furniture & Office Equipment	7,983,504	-	(93,857)	-	-	-	7,889,647	(6,955,048)	89,089	-	(361,319)	-	(7,227,278)	662,369
Plant & equipment	6,820,402	254,036	(149,359)	-	-	-	6,925,079	(4,618,869)	147,134	-	(624,045)	-	(5,095,780)	1,829,299
Computer Equipment	3,319,476	99,931	(568,946)	-	-	-	2,850,461	(2,629,840)	507,485	-	(302,282)	-	(2,424,637)	425,824
Transport & Vehicles	8,223,485	-	(440,159)	-	-	-	7,783,326	(5,698,490)	421,856	-	(796,503)	-	(6,073,137)	1,710,189
Emergency Equipment	490,524	-	-	-	-	-	490,524	(390,952)	-	-	(27,950)	-	(418,902)	71,622
Bins and Containers	552,216	-	-	-	-	-	552,216	(358,940)	-	-	(55,222)	-	(414,162)	138,054
Leased Assets - Finance lease	904,084	-	(904,084)	-	-	-	-	(773,118)	773,118	-	-	-	-	-
	28,293,691	353,967	(2,156,405)	-	-	-	26,491,253	(21,425,257)	1,938,682	-	(2,167,321)	-	(21,653,896)	4,837,357

Appendix B

Analysis of property, plant and equipment as at 30 June 2014	
Cost	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	123,096,427	-	-	-	-	-	123,096,427	(5,591,280)	-	-	(521,103)	-	(6,112,383)	116,984,044
Infrastructure	855,674,795	11,954,011	-	17,833,702	-	-	885,462,508	(281,076,520)	-	-	(21,812,589)	-	(302,889,109)	582,573,399
Community Assets	31,240,942	1,532,140	-	1,113,243	-	-	33,886,325	(20,760,690)	-	-	(1,093,606)	-	(21,854,296)	12,032,029
Capital Work in Progress	22,200,088	49,012,163	-	(18,946,945)	-	-	52,265,306	-	-	-	-	-	-	52,265,306
Landfill site	2,796,273	-	-	-	-	-	2,796,273	(2,031,125)	-	-	(103,051)	-	(2,134,176)	662,097
Other assets	28,293,691	353,967	(2,156,405)	-	-	-	26,491,253	(21,425,257)	1,938,682	-	(2,167,321)	-	(21,653,896)	4,837,357
	1,063,302,216	62,852,281	(2,156,405)	-	-	-	1,123,998,092	(330,884,872)	1,938,682	-	(25,697,670)	-	(354,643,860)	769,354,232
Heritage assets	529,510	-	-	-	-	-	529,510	-	-	-	-	-	-	529,510
Intangible assets	295,655	1,955	-	-	-	-	297,610	(78,463)	-	-	(80,540)	-	(159,003)	138,607
Investment properties	76,140,100	-	-	-	-	-	76,140,100	-	-	-	-	-	-	76,140,100
Total														
Land and buildings	123,096,427	-	-	-	-	-	123,096,427	(5,591,280)	-	-	(521,103)	-	(6,112,383)	116,984,044
Infrastructure	855,674,795	11,954,011	-	17,833,702	-	-	885,462,508	(281,076,520)	-	-	(21,812,589)	-	(302,889,109)	582,573,399
Community Assets	31,240,942	1,532,140	-	1,113,243	-	-	33,886,325	(20,760,690)	-	-	(1,093,606)	-	(21,854,296)	12,032,029
Capital Work in Progress	22,200,088	49,012,163	-	(18,946,945)	-	-	52,265,306	-	-	-	-	-	-	52,265,306
Landfill site	2,796,273	-	-	-	-	-	2,796,273	(2,031,125)	-	-	(103,051)	-	(2,134,176)	662,097
Other assets	28,293,691	353,967	(2,156,405)	-	-	-	26,491,253	(21,425,257)	1,938,682	-	(2,167,321)	-	(21,653,896)	4,837,357
Heritage assets	529,510	-	-	-	-	-	529,510	-	-	-	-	-	-	529,510
Intangible assets	295,655	1,955	-	-	-	-	297,610	(78,463)	-	-	(80,540)	-	(159,003)	138,607
Investment properties	76,140,100	-	-	-	-	-	76,140,100	-	-	-	-	-	-	76,140,100
	1,140,267,481	62,854,236	(2,156,405)	-	-	-	1,200,965,312	(330,963,335)	1,938,682	-	(25,778,210)	-	(354,802,863)	846,162,449

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

Cost

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Fairvalue adjustment Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	87,791,414	20,470,091	-	-	-	-	108,261,505	-	-	-	-	-	-	108,261,505
Buildings	14,834,922	-	-	-	-	-	14,834,922	(5,070,177)	-	-	(521,103)	-	(5,591,280)	9,243,642
	102,626,336	20,470,091	-	-	-	-	123,096,427	(5,070,177)	-	-	(521,103)	-	(5,591,280)	117,505,147
Infrastructure														
Main: Roads and Stormwater	382,769,473	-	-	187,649	-	-	382,957,122	(159,048,783)	-	-	(11,198,741)	-	(170,247,524)	212,709,598
Sewerage Main & Purification	105,004,151	1,320,744	-	460,225	-	-	106,785,120	(19,678,166)	-	-	(1,839,965)	(1,172,304)	(22,690,435)	84,094,685
Main: Electricity	94,931,344	10,275,316	-	2,329,427	-	-	107,536,087	(37,814,479)	-	-	(3,584,851)	(515,890)	(41,915,220)	65,620,867
Main: Water and Purification	239,990,631	9,057,681	-	8,967,147	-	-	258,015,459	(41,479,544)	-	-	(4,608,489)	-	(46,088,033)	211,927,426
Security Measures	381,007	-	-	-	-	-	381,007	(120,067)	-	-	(15,240)	-	(135,307)	245,700
	823,076,606	20,653,741	-	11,944,448	-	-	855,674,795	(258,141,039)	-	-	(21,247,286)	(1,688,194)	(281,076,519)	574,598,276
Community Assets														
Buildings	25,867,311	-	-	-	-	-	25,867,311	(16,684,024)	-	-	(859,923)	-	(17,543,947)	8,323,364
Recreational facilities	5,373,631	-	-	-	-	-	5,373,631	(3,037,970)	-	-	(178,773)	-	(3,216,743)	2,156,888
	31,240,942	-	-	-	-	-	31,240,942	(19,721,994)	-	-	(1,038,696)	-	(20,760,690)	10,480,252

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

Cost

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Fairvalue adjustment Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Capital Work in Progress	13,637,583	20,506,953	-	(11,944,448)	-	-	22,200,088	-	-	-	-	-	-	22,200,088
Landfill site	2,796,273	-	-	-	-	-	2,796,273	(1,926,288)	-	-	(104,837)	-	(2,031,125)	765,148
Other assets														
Furniture & office Equipment	7,953,860	29,645	-	-	-	-	7,983,505	(6,589,995)	-	-	(365,048)	-	(6,955,043)	1,028,462
Plant & equipment	6,820,402	-	-	-	-	-	6,820,402	(3,921,144)	-	-	(697,724)	-	(4,618,868)	2,201,534
Computer Equipment	3,195,806	123,670	-	-	-	-	3,319,476	(2,300,926)	-	-	(328,913)	-	(2,629,839)	689,637
Transport & Vehicles	7,699,359	524,126	-	-	-	-	8,223,485	(4,821,357)	-	-	(877,139)	-	(5,698,496)	2,524,989
Emergency Equipment	490,524	-	-	-	-	-	490,524	(356,701)	-	-	(34,251)	-	(390,952)	99,572
Bins and Containers	552,216	-	-	-	-	-	552,216	(303,719)	-	-	(55,222)	-	(358,941)	193,275
Leased Assets - Finance Lease	904,084	-	-	-	-	-	904,084	(640,632)	-	-	(132,486)	-	(773,118)	130,966
	27,616,251	677,441	-	-	-	-	28,293,692	(18,934,474)	-	-	(2,490,783)	-	(21,425,257)	6,868,435

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

Cost							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Fairvalue adjustment Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Total property plant and equipment

Land and buildings	102,626,336	20,470,091	-	-	-	-	123,096,427	(5,070,177)	-	-	(521,103)	-	(5,591,280)	117,505,147
Infrastructure	823,076,606	20,653,741	-	11,944,448	-	-	855,674,795	(258,141,039)	-	-	(21,247,286)	(1,688,194)	(281,076,519)	574,598,276
Community Assets	31,240,942	-	-	-	-	-	31,240,942	(19,721,994)	-	-	(1,038,696)	-	(20,760,690)	10,480,252
Capital Work in Progress	13,637,583	20,506,953	-	(11,944,448)	-	-	22,200,088	-	-	-	-	-	-	22,200,088
Landfill site	2,796,273	-	-	-	-	-	2,796,273	(1,926,288)	-	-	(104,837)	-	(2,031,125)	765,148
Other assets	27,616,251	677,441	-	-	-	-	28,293,692	(18,934,474)	-	-	(2,490,783)	-	(21,425,257)	6,868,435
	1,000,993,991	62,308,226	-	-	-	-	1,063,302,217	(303,793,972)	-	-	(25,402,705)	(1,688,194)	(330,884,871)	732,417,346

Heritage Assets	529,510	-	-	-	-	-	529,510	-	-	-	-	-	-	529,510
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Intangible assets	94,758	200,897	-	-	-	-	295,655	(47,579)	-	-	(30,884)	-	(78,463)	217,192
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Investment properties

Investment property	153,655,050	-	(27,894,959)	(20,470,091)	-	(29,837,900)	75,452,100	-	-	-	-	-	-	75,452,100
	153,655,050	-	(27,894,959)	(20,470,091)	-	(29,837,900)	75,452,100	-	-	-	-	-	-	75,452,100

Total

Land and buildings	102,626,336	20,470,091	-	-	-	-	123,096,427	(5,070,177)	-	-	(521,103)	-	(5,591,280)	117,505,147
Infrastructure	823,076,606	20,653,741	-	11,944,448	-	-	855,674,795	(258,141,039)	-	-	(21,247,286)	(1,688,194)	(281,076,519)	574,598,276
Community Assets	31,240,942	-	-	-	-	-	31,240,942	(19,721,994)	-	-	(1,038,696)	-	(20,760,690)	10,480,252
Capital Work in Progress	13,637,583	20,506,953	-	(11,944,448)	-	-	22,200,088	-	-	-	-	-	-	22,200,088
Landfill site	2,796,273	-	-	-	-	-	2,796,273	(1,926,288)	-	-	(104,837)	-	(2,031,125)	765,148
Other assets	27,616,251	677,441	-	-	-	-	28,293,692	(18,934,474)	-	-	(2,490,783)	-	(21,425,257)	6,868,435
Heritage Assets	529,510	-	-	-	-	-	529,510	-	-	-	-	-	-	529,510
Intangible assets	94,758	200,897	-	-	-	-	295,655	(47,579)	-	-	(30,884)	-	(78,463)	217,192
Investment properties	153,655,050	-	(27,894,959)	(20,470,091)	-	(29,837,900)	75,452,100	-	-	-	-	-	-	75,452,100
	1,155,273,309	62,509,123	(27,894,959)	(20,470,091)	-	(29,837,900)	1,139,579,482	(303,841,551)	-	-	(25,433,589)	(1,688,194)	(330,963,334)	808,616,148